

DECC BOARD OF DIRECTORS MEETING

Senator Sam Solon Board Room

Wednesday, June 30, 2021 11:30 AM to 1:00 PM

I. APPROVAL OF CONSENT AGENDA (agenda, minutes, and finance statements)

II. EXECUTIVE DIRECTOR REPORT

Operational Highlights

III. COMMITTEE REPORTS

- A. Executive
 - 1. Update
- B. Finance
 - 1. Update
- C. Governance
 - 1. Update
- D. Personnel
 - 1. Update
- E. Strategic Planning
 - 1. Update

IV. OLD BUSINESS

VI. NEW BUSINESS

- A. Purchasing Policy & Procedures – update

VII. ADJOURNMENT

IX. UPCOMING MEETINGS

The Board & Staff retreat is scheduled for October 11th and 12th at Minnesuing Acres.
The next regular business meeting is scheduled for Wednesday, October, 27th at 11:30 AM.

BOARD PACKET

SEPTEMBER 2021

- MINUTES
- FINANCE STATEMENTS
- PURCHASING POLICY &
PROCEDURES "UPDATE"

DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY
REGULAR BOARD MEETING
August 25, 2021

A Regular Board Meeting was held Wednesday, August 25th, 2021 in the Harbor Side Ballroom.

Board Members Present:

Chair Pat Mullen
Vice Chair Lynne Williams
Secretary Mary Finnegan
Peter Singler
Bill Nelson
Martha Bremer
Don Ness
Jason Vincent

Board Members Absent:

Carrie Heffernan
Matt Baumgartner
Peter Singler
Laura Mullen
Steve Hanke

DECC Staff Present:

Dan Hartman
Lauren Schuette
Caty Kaups

Others Present:

Member of the Public
Media

Chair Mullen called the meeting to order at 11.35 AM. A quorum of directors was present.

Approval of Consent Agenda

Finnegan made a motion to approve the consent agenda, which included the meeting agenda, meeting minutes from the regular meeting on July 28, 2021 and the July 2021 Finance Report. It was seconded. The consent agenda was approved unanimously.

Executive Director Report

Operational Highlights:

1. An overview of the schedule of events was provided to the Board.
2. Some events are returning to a sense of normalcy, a lot more activity than last year.
3. Bayfront has been popular with events all summer.
4. First event at Harbor Drive with the Greater Downtown Council was a success, great way to highlight the new outdoor space.
5. Updates provided on social media reach and the effect of recent marketing.
6. Parking rate is planned to move to \$10 in September.
7. New DECC staff nametags presented.
8. Update on beverage options.
9. Working towards getting staff hired for Catering and Concession Stands to.
10. Budget forecasting presented in regards to the Delta variant.
11. Update on the staff organization chart, discussion of the reorganization and various positions.
12. Working towards being the “cool” place for long term success.
13. Data dashboard: Review of events, revenue and marketing successes.
14. Dan plans to travel to other convention centers and learn from other operations, invitation to join. Top 3 things to observe:
 - a. How do arenas display sponsorships?
 - b. What is the food you’re excited to try?
 - c. What does navigation look like?

Committee Reports

Executive:

- Discussion about the retreat and the strategic plan. The goal is to ensure important work is done at the retreat.

Finance:

- The financial report was reviewed. Caty provided more details.

Governance:

- Creating governance training for the board and finalizing the strategic plan.

Personnel:

- No updates to report.

Strategic Planning:

- Drafted strategic plan will be reviewed again prior to the annual board meeting/retreat where the plan will be brought to the full board.

Old Business

No old business.

New Business

- Introduction of request to update the bid amount threshold for purchases to \$20,000 and adjust with inflation each year. It was agreed to implement a temporary threshold of \$5,000 while the board reviews. Anything over \$5,000 needs 3 bids and an approval by Pat Mullen in the interim. The bylaws state the board needs to review and approve new purchasing policies; additional members agreed with the motion.

Adjournment

Chair Mullen requested a motion to adjourn. The meeting adjourned at 1:15 PM.

Upcoming Meetings

The next regular meeting will be held September 29, 2021 at 11:30 AM. Location to be determined.

Minutes reported by Lauren Schuette, Administrative Manager.

DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY

CONSOLIDATED MANAGEMENT SUMMARY

AUGUST 2021

(Detail)

	CURRENT MONTH				YEAR TO DATE					
	BUDGET	ACTUAL	VARIANCE	VAR %	2019	BUDGET	ACTUAL	VARIANCE	VAR %	2019
REVENUES:										
BUILDING SERVICES	99,500	198,210	98,710	99.2%	128,782	1,061,600	1,708,597	646,997	60.9%	2,239,362
MARKETING	3,900	3,083	(817)	-20.9%	3,873	31,200	18,756	(12,444)	-39.9%	34,739
CATERING	46,200	20,051	(26,149)	-56.6%	100,052	173,900	74,053	(99,847)	-57.4%	2,325,076
CONCESSIONS	1,550	50	(1,500)	-96.8%	2,030	18,575	465	(18,110)	-97.5%	643,216
ADMINISTRATIVE	29,650	30,270	620	2.1%	31,189	270,000	274,149	4,149	1.5%	255,674
IRVIN	123,680	117,168	(6,512)	-5.3%	10,276	427,640	364,260	(63,380)	-14.8%	34,438
TICKET OFFICE	0	0	0	0.0%	0	140,000	62,588	(77,402)	-55.3%	510,932
PARKING	64,000	95,540	31,540	49.3%	135,079	316,000	594,759	278,759	88.2%	906,275
BAYFRONT	43,882	41,016	(2,866)	-6.5%	50,840	162,410	184,986	22,576	13.9%	172,985
TOTAL OPERATING REVENUES	412,362	505,389	93,027	22.6%	462,121	2,601,325	3,282,622	681,297	26.2%	7,122,698
OPERATING EXPENSES:										
BUILDING SERVICES	49,290	90,199	(40,909)	-83.0%	169,022	430,020	442,454	(12,434)	-2.9%	1,667,641
PROPERTY MTNC	99,740	247,452	(147,712)	-148.1%	206,529	877,400	1,230,804	(353,404)	-40.3%	1,568,477
MARKETING	10,855	17,783	(6,928)	-63.8%	19,863	75,880	78,554	(2,674)	-3.5%	104,263
CATERING	38,990	12,466	26,524	68.0%	91,774	135,200	64,686	70,504	52.1%	1,262,768
CONCESSIONS	1,300	(410)	1,710	131.5%	18,964	25,550	12,182	13,368	52.3%	478,816
ADMINISTRATIVE	99,280	107,871	(8,591)	-8.7%	143,003	1,204,535	861,017	343,518	28.9%	1,192,196
IRVIN	70,915	60,046	10,869	15.3%	19,659	330,390	235,593	94,797	28.7%	82,645
TICKET OFFICE	35	8,125	(8,090)	0.0%	10,213	335	8,804	(8,469)	0.0%	201,956
PARKING	10,370	8,041	2,329	22.5%	84,637	110,870	52,010	58,860	53.1%	345,988
BAYFRONT	22,134	12,491	9,643	43.6%	26,183	98,788	79,646	19,142	19.4%	105,805
TOTAL OPERATING EXPENSES	402,909	564,065	(161,156)	-40.0%	789,846	3,288,968	3,065,761	223,207	6.8%	7,010,552
OPERATING PROFIT/(LOSS)	9,453	(58,677)	(68,130)	-720.7%	(327,725)	(687,643)	216,860	904,503	131.5%	112,146
CURRENT CASH RESERVE										1,700,000
OPERATING CASH AVAILABLE										1,916,860

DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY

CONSOLIDATED MANAGEMENT SUMMARY

AUGUST 2021

(Summary)

	CURRENT MONTH			YEAR TO DATE						
	BUDGET	ACTUAL	VARIANCE	VAR %	2019	BUDGET	ACTUAL	VARIANCE	VAR %	2019
DPTMTL PROFIT/LOSS:										
BUILDING SERVICES	50,210	108,011	57,801	115.1%	(40,240)	631,580	1,266,143	634,563	100.5%	571,721
PROPERTY MTNC	(99,740)	(247,452)	(147,712)	-148.1%	(206,529)	(877,400)	(1,230,804)	(353,404)	-40.3%	(1,568,477)
MARKETING	(6,955)	(14,698)	(7,744)	-111.4%	(15,990)	(44,680)	(59,798)	(15,118)	-33.8%	(69,524)
CATERING	7,210	7,585	375	5.2%	8,278	38,700	9,356	(29,344)	-75.8%	1,062,308
CONCESSIONS	250	460	210	N/A	(16,934)	(6,975)	(11,718)	(4,743)	-68.0%	164,400
ADMINISTRATIVE	(69,630)	(77,601)	(7,971)	-11.4%	(111,813)	(934,535)	(586,868)	347,667	37.2%	(936,522)
IRVIN	52,765	57,122	4,357	8.3%	(9,382)	97,250	128,667	31,417	32.3%	(48,207)
TICKET OFFICE	(35)	(8,125)	(8,090)	0.0%	(10,213)	139,665	53,794	(85,871)	-61.5%	308,975
PARKING	53,630	87,498	33,868	63.2%	50,442	205,130	542,749	337,619	164.6%	538,979
BAYFRONT	21,748	28,525	6,777	31.2%	24,657	63,622	105,340	41,718	65.6%	54,320
TOTAL OPERATING PROFIT/LOSS	9,453	(58,677)	(68,130)	-720.7%	(327,725)	(687,643)	216,860	904,503	131.5%	77,975
NON-OPERATING REVENUES/EXPENSES:										
CITY HOTEL/MOTEL TAXES	112,039	112,039	0	0.0%	145,475	896,312	896,312	0	0.0%	1,163,800
COVID RELIEF GRANTS	0	0	0	0.0%	0	0	500,000	500,000	N/A	0
NAMING RIGHTS REVENUE	16,667	16,667	0	0.0%	16,667	133,336	133,336	0	0.0%	133,336
ARENA BOND PAYMENTS	(90,919)	(90,919)	0	0.0%	(87,905)	(727,352)	(727,352)	0	0.0%	(703,242)
SUBTOTAL OPERATING PROFIT/LOSS	47,240	(20,890)	(68,130)	-144.2%	(253,488)	(385,347)	1,019,156	1,404,503	364.5%	671,869
LESS: DEPRECIATION										
DEPRECIATION (NET)	(59,000)	(59,000)	0	0.0%	(59,000)	(472,000)	(472,000)	0	0.0%	(472,000)
NET CHANGE IN RETAINED EARNINGS	(11,760)	(79,890)	(68,130)	-579.3%	(312,488)	(857,347)	547,156	1,404,503	163.8%	199,869

DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY
BALANCE SHEET
AUGUST 31, 2021

<u>Assets</u>		<u>Liabilities and Fund Equity</u>	
Current Assets		Liabilities	
Operating cash	\$ 217,985	Current Liabilities (payable from current assets)	\$
Operating reserve account	1,700,000	Accounts payable	682,575
Accounts receivable	1,027,748	Lease purchase payable	727,352
Accts Rec-Tourism Taxes	896,332	Bond interest payable	0
Inventory	66,229	Bonds payable	0
Prepaid items	81,647	Accrued salaries payable	121,315
		Accrued vacation payable	75,091
		Deferred revenue	892,141
Total Current Assets	\$ 3,989,941	Total Current Liabilities (payable from current assets)	\$ 2,488,475
Restricted Assets		Current Liabilities (payable from restricted assets)	
Ticket Office deposits	748,839	Ticket Office deposits	\$ 683,117
Cash and cash equivalents	8,178	Employee flexible benefits plan	660
Employee flexible benefits plan	0	Total Current Liabilities (payable from restricted assets)	\$ 683,776
Cash and cash equivalents			
Debt reserve		Long-Term Liabilities	
Total Restricted Assets	\$ 757,017	Net pension liability	3,228,805
		Net other postemployment benefits	1,553,850
Fixed Assets		Total Long Term Liabilities	\$ 4,782,655
Fixed assets	\$ 151,920,134	Total Liabilities	\$ 7,954,906
Less allowance for depreciation	(77,774,288)	Deferred Inflow	
Fixed assets (net)	\$ 74,145,845	Deferred inflow of pension	\$ 854,473
Deferred Outflow		Fund Equity	
Deferred outflow of pension	\$ 312,013	Contributions (net of accumulated amortization)	\$ 62,412,478
Other Assets		Prior period retained earnings	7,440,402
Bond issue costs	\$ 0	Current period retained earnings	542,558
Total Assets	\$ 79,204,815	Total Fund Equity	\$ 70,395,436
		Total Liabilities and Fund Equity	\$ 79,204,815

PURCHASING POLICY AND PROCEDURE

DULUTH ENTERTAINMENT AND CONVENTION CENTER AUTHORITY

DULUTH, MN

UPDATED and BOARD APPROVED on xx/xx/xxxx

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I. INTRODUCTION

- A. This document describes the purchasing policies and procedures of the Duluth Entertainment and Convention Center Authority, herein referred to as the DECC.
- B. These policies have been designed to ensure that all relevant local, state, and regulatory laws and requirements are followed.
- C. All personnel are required to follow these policies so that the DECC's budgeted funds are maximized and expenditures properly authorized.

II. AUTHORIZATION TO PURCHASE

- A. Department managers are authorized to purchase items under \$20,000 after receiving written authorization on a properly completed Purchase Order. See Section IV. A. for the prescribed procedures.
- B. All authorized purchasers are required to sign a DECC Employee Conflict of Interest Acknowledgement when hired/promoted. See Appendix A.
- C. DECC Finance Board Chair approves all purchases estimated to exceed \$100,000.
- D. Purchases or services over \$20,000 must be put out to bid. The formal advertising bid process is used to procure and select the vendor or supplier on purchases over \$100,000. See Section III. D. for prescribed bidding requirements.

III. PURCHASE ORDER REQUIREMENTS

A. Purchases under \$500

Items or services costing less than \$500 may be purchased by authorized personnel without prior written approval of the Executive or Finance Director.

B. Purchases from \$500 to \$999

Items or services costing \$500 to \$999 must have a completed purchase order with Finance Director (or Executive Director) approval prior to placing the order.

C. Purchases over \$1,000 but less than \$100,000

- Items or services costing \$1,000 to \$99,999 must have a completed purchase order including signature of both the Executive Director and Finance Director prior to placing the order.
- Purchases over \$20,000 must be put out to bid and include quotes from at least three suppliers documented or attached to the purchase order. If vendors do not reply, proof of bid request should be attached.

D. Purchases \$100,000 and over

1. If the purchase is \$100,000 or greater, the DECC Finance Committee Chair must approve the purchase prior to placing the order.
2. Goods or services costing \$100,000 and over must be chosen using a formal bid process, including:
 - Formal bid document approved by the Executive Director.
 - Public Notice placed in the Duluth News Tribune or other approved legal newspaper for at least 2 days, 14 days prior to the last day of bid submission.
 - Receipt of Affidavit of advertisement in permanent bid file.
 - Public opening of bids at stated date and time.
 - Evidence of performance and payment bonds.
 - Approval by DECC Finance Committee Chair or by full DECC Board if requested by the Finance Committee Chair or Executive Director.
3. Purchases over \$100,000 and over may be exempt from the formal bid process if they meet the following definitions:
 - Purchases from other governmental bodies such as the City of Duluth or State of Minnesota.
 - Contractual or professional services whereas the product desired is of a unique nature and competitive bidding is not reasonably possible.
 - Purchases of damages, distressed, or salvaged merchandise obtained at substantial discount from market prices.
 - Evidence suggests that normal bidding procedures are not attaining fair, competitive or acceptable bids.

IV. PURCHASING PROCEDURE

A. Purchase Order Preparation

1. Procedure
 - a. Department Manager completes a purchase order including:
 - Complete vendor name and address
 - Description of goods or services (and location if specific)
 - Quantity and Price by line item
 - Shipping if applicable
 - All quotes received (or proof that quotes were requested if not all replied)
 - b. Finance Director or Executive Director approval.
2. Sole Source Suppliers
 - a. If only one supplier provides a product or service, additional quotes are not required. This would be the case for equipment and dispensers, which require brand specific replacements or parts.
 - b. Write on the purchase order in the Quote section "Sole Supplier" and provide a description of why the vendor is the only practical or reasonable source.
3. Blanket Purchase Order
 - a. Blanket purchase orders can be utilized for purchases made on a regular basis such as advertising, expo supplies, and hourly repair rates.
 - b. Follow the same procedure for receiving and documenting quotes to prepare the purchase order. Obtain proper approvals.
 - c. Blanket purchase orders expire one year from the date of the purchase order.
 - d. Price limits may be described as "Not to exceed" a prescribed amount.
 - e. Price variance on approved invoices is limited to 5% of the extended price. If the variance is greater than 5%, the purchaser must prepare a new blanket purchase order for the goods or service.
4. Emergency Purchases

An emergency situation requiring unscheduled expenditures without prior quotes and approval must be documented on a purchase order form and signed by the Executive Director and/or Finance Director.
5. Exemption from Purchase Order Preparation

No purchase order is needed for the following payments:

 - Administrative expenses and payments including organization dues, legal costs, audit fee and financing payments.
 - Food and beverage purchases, serving supplies, gift shop merchandise, cleaning supplies and paper products purchases.

B. Purchase Order Approval is Required Prior to Placing the Order

1. Purchases costing between \$500 and \$1,000 require either Finance Director or Executive Director approval.
2. Purchases over \$1,000 require Finance Director and Executive Director approval. When possible, Finance Director should approve first.
3. Purchases over \$20,000 must include 3 bids or proof of bid request.
4. Purchases over \$100,000 requires approval by the DECC Finance Committee Chair.

C. Placing Order and Receipt of Goods

1. Department Manager places the order, requesting vendor to reference the purchase order number on the invoice and billing documents.
2. Vendor should be informed of our city and county tax exempt status. Note: we still pay state sales tax. Tax Exemption memo is attached (page 10). Accounting can also provide documentation to vendor if requested.
3. The ordering party is required to inspect, approve and sign for purchased goods or services upon receipt and acceptance.

D. Payment Authorization

1. The authorized employee, for the accepted and approved goods or services, must sign and code with department expense account number all invoices and send to Accounts Payable.
2. The invoice must reference the approved purchase order and match quantities, items and prices on the approved purchase order. Exceptions must be noted on the invoice.
3. Approved purchases not requiring a purchase order must be signed by the authorized employee and documented with the department expense code.
4. Invoices should be turned in to Accounting in a timely manner. All purchases received during the month must be submitted within two weeks of the end of the month.
5. Price variance on approved invoices is limited to 5% of the extended price. If the variance is greater, the purchaser must verify acceptance of higher price and explain on the purchase order.
6. For all received purchases which are not acceptable, the authorized department employee is responsible for notifying the vendor and following up on required corrective action. If appropriate, indicate an invoice is "ON HOLD" to ensure payment is not made on disputed billings.

E. Purchases Made Without Authorization

All invoices over \$500 which do not have a prior approved purchase order will be rejected for payment until the department manager provides a Purchasing Exception Report signed by the Finance Director. (See Appendix B)

Appendix A

CONFLICT OF INTEREST POLICY

The Duluth Entertainment and Convention Center Authority Board (“the Board”) recognizes that a conflict of interest can arise for any of its employees when participating in a decision in which they have a personal financial interest or from which they may benefit financially. In addition, the Board recognizes the importance of maintaining the confidence of the public by avoiding even the appearance of a financial conflict of interest.

1. Employees shall take only those actions and authorize only those purchases and contracts which are in the best interest of the DECC.
2. No employee shall represent any individual or organization seeking to contract with the DECC or third party seeking to contract with the DECC.
3. No employee shall participate in any DECC decision in which he or she has a personal financial interest.
4. No employee shall represent any individual or organization in which the employee owns an interest other than an immaterial interest or which he or she is an officer or director which seeks to contract with the DECC.
5. No employee shall accept gifts or special favors offered to them or to any member of their families if the gifts are given or may be viewed as given with the expectation of receiving more favorable treatment at the DECC. If there is any question as to whether there may be the appearance of a conflict, the employee shall review the matter with the Executive Director.
6. Whenever a question or dispute as to whether a financial conflict of interest exists for an employee, the Executive Director and Board Chair shall take appropriate action. Employees are obligated and directed to notify the Executive Director of any real and potential conflicts of interest.

Violations of these policies will be grounds for disciplinary action, including immediate dismissal.

**DECC EMPLOYEE CONFLICT OF INTEREST
ACKNOWLEDGEMENT**

As a Department Head and/or Authorized Purchaser for the Duluth Entertainment Convention Center, I realize the importance of maintaining independence in fact and independence in appearance for all purchases I make on behalf of the DECC in the performance of my duties.

Therefore, I am aware of the attached Employee Conflict of Interest Policy and intend to be bound by the conditions as stated in the policy.

Department: _____

Printed Name: _____

Signed: _____

Appendix B

PURCHASING EXCEPTION REPORT

DATE:

TO:

FROM: Accounting

RE: **Missing Purchase Order**

The attached invoice for over \$500 was made without a prior approved purchase order. Please respond with one of the following:

- 1) Attach a copy of the purchase order
- 2) Explain circumstances if P.O. was not prepared
- 3) Route to purchaser responsible for this invoice

Comments:

Signed: _____

Date: _____

Please return invoice with completed purchase order to Finance Director. Payment will be held until P.O. and Purchasing Exception Report have been approved.

Approved: _____

Memorandum

To:

CC:

From: Caty Kaups, Finance Director

Date:

Re: City and County Sales Tax Exemption

Dear Vendor,

Please be advised that the Duluth Entertainment Convention Center (DECC) is a local government unit and is exempt from City and County sales tax; however, as a state authority we are not eligible for state tax exemption so ***Minnesota state sales tax applies.***

Our city and county tax exemption number is 202350-00. Local government units do not pay local sales tax and **NO EXEMPTION CERTIFICATE IS NECESSARY.** If you have any questions, please call me at (218) 623-1226.

